

A STUDY ON RURAL AND URBAN CONSUMER' SPENDING PATTERN ON FUEL CONSUMPTION IN NAGAPATTINAM DISTRICT OF TAMIL NADU

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ABSTRACT

Fuel is a vital input for the production of a wide range of goods and services, because it is used for transportation in business of all types. Retail vegetable price increases in recent years may seem to be large in nominal terms, but after adjusting for inflation it is quite modest. This study attempts to analyze the demographic profile of the rural and urban fuel consumers and measure the amount of spending for fuel of the rural and urban consumer. This study is conducted from all categories of consumers (kerosene, petrol and gas). The sample size is determined to be 300 consumers. The study shows that the rural and urban consumers spend more or less same in kerosene because of low usage in both area people but it totally differs in petrol and LPG because of more usage by urban people. Finally, it concludes that overall spending is more in urban areas than rural consumers.

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INTRODUCTION

Fuel is a vital input for the production of a wide range of goods and services, because it is used for transportation in business of all types. Higher fuel prices thus increase the cost of inputs; and final product price increases cause inflation, if the cost increases it cannot be passed on to consumers as economic inputs such as labour and capital stock may be reallocated. Higher fuel prices can cause worker layoffs and the idling of plants, reducing economic output in the short term.

The rising oil prices since 1999, led to the global economic crisis in 2000 – 2001. As a result, the world GDP growth experienced a decrease from 1999 – 2004. Due to the expectations that is related to OPEC supply cuts, political tensions in Venezuela and strict

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stocks increased international crude oil and good prices in March 2004, market conditions are more volatile than usual, United States was trying to increase crude oil prices. Greater fuel prices lead to higher unemployment rates and compounding budget deficit issues in many OECD and other oil importing nations.

1.1 Review of Literature

Carolyn Falkner (2015)^[1] investigate the current purchasing behaviours of a group of dependent drinkers and their potential response to future increases in the price of alcohol, finally he conclude that the majority of our group would be financially impacted by an increase in the minimum price per standard drink, any potential impacts would be most significant in those buying the cheapest alcohol (who also drink the most), suggesting that minimum pricing may be an important harm minimisation strategy in this group. Eugene w. Anderson (1996)^[2] not only to determine whether the association between customer satisfaction and price tolerance is positive or negative but also to gauge the degree of association and found between year-to-year chnnges in the levels of customer satisfaction and price tolerance.

David Kennedy and Ian Wallis (2007)^[3] assess evidence on the impacts of petrol price changes on petrol consumption, traffic volume and public transport patronage in New Zealand. In the light of this evidence and evidence from Australia and other countries, a set of 'best estimate' petrol price elasticities for the New Zealand context are recommended. Robert Gielissen (2011)^[4] find that the perceived fairness of prices is also influenced by other distributional concerns that are independent of the transaction. In particular, price increases are judged to be fairer if they benefit poor people or small organisations rather than benefiting rich people or big organisations.

Celia M. Reyes (2010)^[5] assess the impact of rising prices of rice and fuel on poverty in the Philippines. In particular, the variations in the potential effects among different group of households were analyzed using household level data. Results of the study confirm that the impact of increasing prices of rice and fuel vary across different groups of households depending on the sector of employment, level of urbanity, income group and geographical location. Imoleayo Foyeke Obigbemi (2010)^[6] discovered that there is a relationship between change in cost of sales and turnover. Recommendations were made for the close monitoring of SMEs and that SMEs should employ the service of price experts when making pricing decisions. Judith de Groot (2002)^[7] examines how a transport pricing policy aimed to reduce car use may affect individuals' Quality of Life (QoL), to what extent this policy is acceptable to the public and if people intend to change car use when the policy is implemented. Also, comparisons were made amongst these countries (Austria, Czech Republic, Italy, The Netherlands and Sweden).

1.2 Statement of the Problem

The objective of the study is to understand, How the increase in Indian fuel (petroleum, gas, and kerosene) price lead to rise in consumer goods like vegetable price. The essence of the study is to understand the causal relationship between fuel prices and consumer good's price. The study is essential for both – knowledge and to help in solving problems of consumer good's price arising out due to inflation in fuel price.

1.3 Objectives of the Study

The general objective of the study is to assess the impact of rising fuel prices on consumer goods while the specific objectives are

1. To analyze the demographic profile of the rural and urban fuel consumers.
2. To measure the amount of spending for fuel of the rural and urban consumer.

METHODOLOGY

The population of the study constitutes individual fuel consumer within the region of Nagapattinam in Tamilnadu. The population consists of all categories of consumers (kerosene, petrol and gas). The sample size determined to be 300 consumers. The sample was chosen from Nagapattinam district in Tamil Nadu. In this study questionnaire technique will adopted.

MAJOR FINDING OF THE STUDY

3.1 Demographic Profile of the Respondent

Table – 1: *Demographic Profile of the Fuel Consumers*

Demographic Profile of the Respondents		Area		
		Rural: 150	Urban: 150	Total: 300
		N (%)	N (%)	N (%)
Age (years)	20-39	91 (60.7)	124 (82.7)	215 (71.7)
	40-69	39 (26.0)	21 (14.0)	60 (20.0)
	Above 69	20 (13.3)	5 (3.3)	25 (8.3)
Religion	Hindu	145 (96.70)	144 (96.0)	289 (96.3)
	Muslim	2 (1.3)	2 (1.3)	4 (1.3)
	Christian	3 (2.0)	4 (2.7)	7 (2.3)
Family type	Nuclear	139 (92.7)	146 (97.3)	285 (95.0)
	Joint	11 (7.3)	4 (2.7)	15 (5.0)
Type of house	Own	80 (53.3)	43 (28.7)	123 (41.0)
	Rent	29 (19.3)	59 (39.3)	88 (29.3)
	Govt. House	41(27.4)	48 (32.0)	89 (29.6)

Source: *Primary data*

From table 1, it is found that Majority of the respondent's (71.7 per cent) age is between 20 years to 39 years in overall 300 sample respondents. Majority of the respondents (96.3) are Hindu religion respondents. Majority of the respondents (95 per cent) are living with nuclear family. Maximum of the respondents (41.0 per cent) are living in their own house among the total 300 respondents.

3.2 Consumer Spending Pattern on Fuel Consumption

Table – 2: *Consumer Spending Pattern on Fuel Consumption*

Amount of Spending	Area				t-Test Value (p-Value)	Result
	Rural		Urban			
	Mean	SD	Mean	SD		
Kerosene	791.33	1320.66	513.33	1194.15	1.912 (.057)	Reject H ₁
Petrol	128866.67	230729.18	23000.00	120906.81	4.978 (.000)	Accept H ₁
Gas	140.33	186.07	280.07	142.51	-7.302 (.000)	Accept H ₁

Source: *Primary data*

From table 2, the average amount of spend on Kerosene of rural respondent is Rs. 791.33 and the urban respondent is Rs. 513.33. Since the P-value (.057) is higher than 0.05, alternative hypothesis is rejected. It means that there is no significant different between rural and urban respondents' sending amount on Kerosene.

The average amount of spend on Petrol of rural respondent is Rs. 128866.67 and the urban respondent is Rs. 23000.00. Since the P-value (.000) is lesser than 0.05, alternative hypothesis is accepted. It means that there is a significant different between rural and urban respondents' sending amount on Petrol.

The average amount of spend on LPG of rural respondent is Rs. 140.33 and the urban respondent is Rs. 280.07. Since the P-value (.000) is lesser than 0.05, alternative hypothesis is accepted. It means that there is a significant different between rural and urban respondents' sending amount on LPG Gas.

CONCLUSION

When the prices of fuel increase, consumers use more of their income to pay for it, and their spending on other goods and services declines. The extra amount spent on those products basically go to foreigners as India is net importer of fuel. As the study shows that the rural and urban consumers spend more or less same in kerosene because of low usage in both area people but it totally differs in petrol and LPG because of more usage in urban people. Finally, it is concluded that overall spending is more in urban areas that rural area consumer. So the price fluctuation mostly affects the urban consumers.

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